

sentation of a transfer order at the bank by the payer or his authorized agent, which entitled the payee to the credit on the next day. The bank became so general a medium of payments in Amsterdam that the most extravagant estimates were formed of the gold and silver stored in its vaults. Some put the amount as high as 900,000,000 gulden (\$360,-000,000) but the more modest and accurate estimate of Adam Smith was 33,000,000 gulden (\$13,500,000).*

Direct redemption of bank credits in coin gradually fell into disuse, partly because bank money was so much preferable to coin for nearly all practical purposes and partly because of the acceptance of foreign coins on special deposits. The system of advances upon such deposits was formally put in operation in January, 1683, and the bank issued a receipt to the depositor for the bullion value of the deposit, certifying his right to withdraw it upon returning the bank money with which he had been credited and paying one-eighth of one per cent, interest. The right of withdrawal was forfeited if the charges were not paid and the deposit renewed within six months. It was necessary, therefore, in order to withdraw coin thus deposited, to have both the receipt and the equivalent amount of bank money. The bank money outstanding was in excess of the legal coin in the custody of the bank, but not in excess of the domestic and foreign coin and bullion. The lapsing of receipts protected the bank, therefore, from demands for coin redemption which it could not meet, while another method was adopted to prevent the excess of the bank money in circulation and to provide bullion for those who desired it for export.

The method adopted by the bank for controlling the volume of circulation and maintaining its credit was the sale of bank money for specie or specie for bank money in such amounts as the public might require. Regular agents of the bank were charged with these transactions and kept the premium on bank money within narrow limits and its value substantially unchanged. It was supposed

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¹ Wealth of Nations, II., 6r.